

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

MEMORANDUM

TO: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

FROM: William J. DiVello, Executive Director
Office of Integrity and Oversight *William J. DiVello*

DATE: March 14, 2011

SUBJECT: Final Management Alert on Lack of Address Cleaning Process on Real Properties
Tax Administration Mailing Database at the Office of Tax and Revenue (Report
No. MAR 10-2-26-OTR)

This is a Management Alert Report (MAR-10-2-26-OTR) to inform you that during our evaluation of the Internal Controls over Undelivered Mail and Address Change Processes, the Office of Integrity and Oversight (OIO) determined that, due to the absence of an address cleaning process on the Real Property Tax Administration (RPTA) Mailing Database, the Office of Tax and Revenue (OTR) experienced a large volume of undelivered mail of RPTA notices that could have been avoided. The OIO provides these reports when it believes a matter requires the immediate attention of the OTR officials.

On August 25, 2010, OIO initiated an Audit of Internal Controls Over Undelivered Mail and the Address Change Process (Assignment No. OIO-10-02-26-OTR). Our field work commenced on October 14, 2010 and is currently ongoing.

The objectives of the audit are to determine whether:

- (i) Effective internal controls are in place for processing undelivered mail for all OTR functional offices; and
- (ii) Effective internal controls are in place to provide reasonable assurance that the address change process is free from errors or fraud.

Background

The Office of Tax and Revenue is responsible for generating approximately one million or more business notices and/or bills on a yearly basis (OTR generated 1,010,699 notices/bills in 2009). The RPTA is responsible for providing taxpayers with a notice of property assessment and bills twice a year. The average mailing for RPTA is about 600,000 pieces per year. Currently, a contractor is used to prepare the RPTA mailing based on a file of addresses received from the Integrated Tax System (ITS) Real Property Mailing Database. Of the mail sent, OTR receives approximately 53,000 pieces of returned mail per year on a five-year average basis (for FY 2009, it was 55,688 pieces).

To ensure OTR is mailing notices and/or bills to updated and current addresses, OTR has a memorandum agreement with the U.S. Internal Revenue Services (IRS) where OTR, on a regular basis, requests the IRS to provide OTR with the IRS Taxpayer Address Request (TAR) Tickler File for address change data. The program updates addresses in ITS where the taxpayer's address has not updated in the last 18 months in the ITS mailing addresses database. However, this address cleaning process is only applied for other non-real property tax types mailing addresses.

Observation

1. Lack of Address Cleaning Process on Real Properties Tax Administration Mailing Database at the Office of Tax and Revenue

OIO noted the RPTA accounted for 70% or 37,000 pieces of the returned mail received on a five-year average basis. This large volume of returned mail can be attributed to the fact that the RPTA Mailing Address Database does not go through an address cleaning process such as comparing the Integrated Tax System (ITS) mailing addresses database with the IRS Taxpayer Address Request (TAR) Tickler File. Our discussion with the Office of the Chief Technology Officer (OCTO) Geographical Information System (GIS) project personnel revealed that OCTO's personnel also noted inconsistencies between the GIS Master Address Repository (MAR) and the ITS address database. OCTO communicated this issue to the OTR and the Office of the Chief Information Officer (OCIO) Tax Systems Group (TSG) in a ~~memorandum~~ dated May 21, 2009 (Exhibit 1).

The Real Property Tax address database does not go through a cleaning process due to historical practices. TSG is aware of the lack of an address cleaning process on RPTA mailing addresses; however, it is TSG's understanding that the ITS records cannot be updated unless they are verified by the taxpayer. Although TSG cannot find a written policy that specifically states the change prohibition, TSG requires an OTR senior management directive to act contrary to the general understanding about changes to the mailing addresses.

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Our request to the OCFO legal counsel on whether there are any statutes in the DC Code that speak to updating of taxpayer addresses for business, individual as well as real property taxes yielded the following (DC § 42-405):

- a) All parties with an interest in a particular real property shall notify the Recorder of Deeds in writing for a name change or address change.
- b) The Recorder of Deeds shall enter into its land records all updated information received.
- c) The District shall assess a fee not to exceed \$300 ~~against an interested party~~ if the District is unable to locate the interested party using all available information in the land records at the Recorder of Deeds or other information available at the Office of Tax and Revenue.

Due to the absence of an address cleaning process on the Real Property Tax Administration (RPTA) Mailing Database, OTR experienced a large volume of undelivered mail of RPTA notices that could have been avoided. It is estimated that on a yearly basis, OTR spends about \$65,000 to process RPTA undelivered mail (see Exhibit 2), and potentially suffers lost revenues caused by delinquent collection of property tax revenues. In addition, we understand OTR plans to conduct the RPTA mailing function in house instead of using a contracted vendor which makes the corrective actions from the above mentioned issue urgent.

Recommendation

To resolve potential issues and reduce costs associated ~~with processing~~ undelivered mail, we recommend:

1. The OTR Deputy Chief Financial Officer issue an Executive order to allow OCIO/TSG and the relevant RPTA personnel to perform an address cleaning process and update the RPTA mailing address database to avoid or minimize the unnecessary cost of processing undelivered mail and lost/delayed collection of real property tax revenue.
2. The OTR Real Property Tax Administration Director in conjunction with the OCIO Tax Systems Group collaborate with the OCTO GIS project personnel to investigate and correct (if deemed necessary) the inconsistencies between the ITS addresses and GIS MAS.
3. The Real Property Tax Administration Director use all available information in the land records at the Recorder of Deeds or other information available at the Office of Tax and Revenue, as required by the DC §42.405(a) and (b).
4. If the District is unable to locate the interested ~~party~~ after performing recommendation 3 above, the Real Property Tax Director consider assessing a fee against the interested party as allowed by DC §42-405.

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Management Response and OIO Comments

As noted in the OTR response, management has concurred with OIO's recommendations and has and/or will implement corrective actions detailed in the attached document below (Exhibit 3). We find OTR's corrective actions to be responsive to our recommendations, however, please provide us with definitive dates of completion for the planned corrective actions.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact Mohamad Yusuff, Director of Internal Audit, at (202) 442-8240 or me at (202) 442-6445.

Attachments

cc: Natwar M. Gandhi, Chief Financial Officer
Angell Jacobs, Chief of Staff, OCFO
Kathy Crader, Chief Risk Officer, OCFO
Jim Hightower, Director, Tax System Group, OCIO
Robert Farr, Director, Real Property Tax Administration, OTR

EXHIBIT 1: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM THE MANAGEMENT ALERT

Recommendations	Description of Benefits	Type of Benefit	Agency Reported Estimated Completion Date	Status¹
1	Improve RPTA Mailing Database Update Process and Reduce Undelivered Mail	Compliance and Internal Control	TBD	OPEN
2	Improve RPTA Mailing Database Update Process and Reduce Undelivered Mail	Compliance and Internal Control	TBD	OPEN
3	Improve RPTA Mail Delivery Process and Reduce Undelivered Mail	Compliance and Internal Control	TBD	OPEN
4	Improve RPTA Mail Delivery Process and Increase Fee Revenue	Compliance and Internal Control	TBD	OPEN

¹ This column provides the status of a recommendation as of the report date. For final reports, "Open" means management, and the OIO agree on the action to be taken, but action is not complete. "Closed" means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management's response is used. "Unresolved" means that management has agreed to neither take the recommended action nor proposed satisfactory alternative actions to correct the condition.

Exhibit 2

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Chief Financial Officer

Office of Tax and Revenue



Stephen M. Cordi
Deputy Chief Financial Officer

MEMORANDUM

TO: William J. DiVello, Executive Director
Office of Integrity and Oversight

FROM: Stephen M. Cordi

DATE: March 3, 2011

SUBJECT: OIO Management Alert (10-2-26-OTR)

This is in reference to your memorandum dated February 2, 2011, regarding the lack of an Address Cleaning Process on the Real Property Tax Administration's (RPTA) Mailing Database at the Office of Tax and Revenue.

An address cleaning process to prevent unnecessary returned mail in the Real Property Tax Administration had not been performed due to a policy of not updating address information unless instructed to do so by a property owner. Additionally, property taxes were paid for the vast majority of the accounts with returned mail or the Office of Tax and Revenue would have experienced a much larger volume of accounts for tax sale. In fact, over 80,000 accounts or 40% of all real property tax accounts are paid via electronic exchange of information between mortgage companies and OTR.

Based on our research the following are OTR's responses to your recommendations.

1. **The OTR Deputy Chief Financial Officer issue an Executive order to allow OCIO/TSG and the relevant RPTA personnel to perform an address cleaning process and update the RPTA mailing address database to avoid or minimize the unnecessary cost of processing undelivered mail and lost/delayed collection of real property tax revenue.**

We agree with this recommendation. The Deputy Chief Financial Officer (DCFO) will issue instructions authorizing an address cleaning process to minimize the cost of processing undelivered mail.

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The recently mailed 2012 real property assessment notices are encoded to generate an electronic response from the U. S. Post Office alerting RPTA of updated mailing addresses. RPTA will update the RPTA mailing address database based upon the information obtained. We will also invoke CODE 1, an address normalization software product, against our mailing addresses. This should reduce mailing address errors and the unnecessary cost of processing undelivered mail. A review of the exceptions to the GIS MAS database indicates many of the address issues noted will be resolved by this action.

2. **The OTR Real Property Tax Administration Director in ~~conjunction~~ with the OCIO Tax Systems Group collaborate with the OCIO GIS project personnel to investigate and correct (if deemed necessary) the inconsistencies between ITS addresses and GIS MAS.**

We agree with this recommendation. The Directors of RPTA and OCIO/TSG will meet OCIO GIS personnel to determine if there are additional address perfection enhancements to our now existing process in GIS MAS and if so, we will incorporate those enhancements.

3. **The Real Property Tax Administration Director use all available information in the land records at the Recorder of Deeds or other information available at the Office of Tax and Revenue, as required by the DC §42-405(a) and (b).**

We agree with this recommendation. The RPTA Director will utilize all available information in the land records at the Recorder of Deeds (ROD). Address changes received at ROD are processed by our Maps and Titles Division.

4. **If the District is unable to locate the interested party after ~~performing~~ recommendation 3 above, the Real Property Tax Director consider assessing a fee against the interested party as allowed by DC §42-405.**

The Real Property Tax Director will consider assessing this fee if interested parties cannot be located by the alternate means discussed above.

If you have additional questions or concerns regarding this matter, please contact Robert Farr, Director, Real Property Tax Administration, at (202) 442-6685.

cc: Robert Farr, Director, Real Property Tax Administration, OTR
James Hightower, Director, Tax Systems Group, OCIO

Exhibit 3a)

OCTO -GIS MEMORANDUM

TO: DAVID FITZGIBBON, JOHN CODD
FROM: DAVID JACKSON
SUBJECT: Problematic Addresses in the Integrated Tax System database and Public Extract
DATE: 5/21/2009
CC: BARNEY KRUCOFF, MATT CROSSETT

This memo is to inform individuals about problematic addresses in DC Government's Integrated Tax System (ITS). I work for DC GIS which is part of OCTO, specifically, I deal with the Master Address Repository (MAR) which is the official address database for Washington, DC. In the past few years the MAR is being integrated into a wide range of city applications across a large swath of agencies. Currently, MAR is being integrated in the 311/CIRM and for 911 response. I have personally reviewed tens of thousands of addresses from the ITS Public Extract table. The reality is that there are thousands of property records whose premise addresses or unit numbers are either missing, incorrect, or badly formatted.

These problems regarding the premise address are found in the following columns in ITS:

- PREMISEADD (Premise Address)
- UNITNUMBER (Unit Number)

Examples from Premise Address Column

SSL Value	Premise Address	Correct Premise Address	Problem Type
5969 2024	'3429 55TH ST SE'	3429 5TH STREET SE	Wrong Street Name
3634 2037	'4000 SHEPHERD ST NW'	4000 MARLBORO PLACE NW	Wrong Street Name & Type
0096 2077	'1601 P ST 00302'	1601 P STREET NW	Missing Quadrant & Unit Value should be in UNITNUMBER Column
3634 2037	'1615 4TH ST'	2615 4TH STREET NE	Incorrect Address Number & Missing Quadrant.
5912 0029	'1019 ANDERSON PL'	1019 ANDERSON PLACE SE	Missing Quadrant
6166 0806	'0411 ATLANTIC ST SE'	411 ATLANTIC STREET SE	Leading zero number in address
0367 2019	'0929 - 0933 N ST NW Unit: 301'	933 N STREET NW	Not a range & Unit value should be in UNITNUMBER column
PAR 00870577	1315 PEABODY ST SE	1315 PEABODY STREET NW	Incorrect Quadrant
PAR 01990049	3800 ELY PL SE (in	3800 ELY PLACE NE	Incorrect Quadrant

1663 2060 '3401 MILITARY RD 505' 4301 MILITARY ROAD NW

Incorrect Address Number
& Missing Quadrant &
Unit Number should be
UNITNUMBER Column

Examples from Unit Number Column

SSL Value	Unit Number	Correct Unit Number	Problem Type
6095 2050 12-303		303	Incorrect Unit Number
0950 2001 00001		None	It is not a unit but a full address '755 10TH STREET SE'
2681 2023 Nothing		403	Missing Unit Number

The above examples are just a very small sample of the problematic address in the Integrated Tax System (ITS).

It should also be noted that there are thousands of incorrect or inconsistent addresses for mailing purposes which can be found in the following columns:

- ADDRESS1 (Mailing Address)
- CAREOF

There are many reasons to believe that the large number of faulty addresses is causing significant problems for residents, and businesses and the DC Government.

It will be a timely process to cleanup the addresses in the Integrated Tax System, and we'd like to work with you to make them better.

We believe improving them would:

- Reduce confusion among the many users of this data.
- Save time for people who work with addresses throughout the District
- Decrease the amount of returned or undeliverable mail

We would be glad to provide additional information and meet with whomever to discuss this in more detail.

Regards,

David Jackson

EX-103-21

MEMORANDUM

To: Richard McKeithen, Director,
RPTA

From: David Fitzgibbon, Chief Appraiser,
Assessment Division, RPTA

Date: May 25, 2009

RE: Master Address File corrections

[Handwritten signature] 5/25/09

Last Thursday Steve Cappello, John Codd and I met with staff from OCTO/GIS to discuss situs address problems in the ITS database that OCTO can correct electronically. I have attached the memo with examples and problems they brought to the meeting for more clarification. They have compiled a list of known problems and can further scrub the database for other problems where there may be mailing address issues. Considering our large volume of returned mail, the majority of which is tagged "undeliverable," this may aid in reducing the volume of returned mail as well as correct the obvious errors in the situs addresses.

OCTO will need to interact with OTR's computer staff to access the ITS data base and/or provide a file to Jim Hightower's group to download the corrections. A request for this file to be downloaded should come from the Director level or above.

Please forward a request to Jim and if necessary to Steve Cordi so we can move forward on this. Steve, John and I will be available to discuss the advantages with you at your convenience.

David

For purpose, source etc
see W/P

Exhibit 4

Office Tax and Revenue Estimated Undelivered Mail Processing Cost and Lost of Revenue Real Properties Tax Administration					
<u>Receipt & Control Unit:</u>	<u>Grade</u>	<u>Salary/Yr</u>	<u>Time Spent/Yr</u>	<u>Est. Lbr Cost/Yr</u>	<u>Cost/Piece of Undelivered Mail*</u>
Dedicated Mail Clerk	DS 6	\$ 37,115	0.5	\$ 18,558	\$ 0.35
Unit Manager	DS 10	53,968	0.1	5,397	0.10
Sub-total - RPA				23,954	0.45
RPTA					
Staff Assistant - 8 days per mailing * 2/yr = 16 days/365 days = 0.04	DS 11	59,287	0.04	2,371	0.06
Supervisor	DS 13	84,492	0.03	2,535	0.07
Chief Assessor	DS 16	135,925	0.02	2,719	0.07
Sub-total - RPA				7,625	0.21
Total Labor Cost - RPTA Undelivered Mail					0.66
Overhead (incl. employee's benefits, rent, electricity, water, office supplies, IT services) - assumed @ 100% labor cost					0.66
USPS Postage					0.44
Total Est Cost - Piece of RPTA Undelivered Mail					1.76
At an average of 37,000 pieces of undelivered mail/year - total processing cost for RPTA - 37,000 *					
\$1.76					65,048
* = OTR undelivered mails statistics - overall five years average: 53,000 pieces; RPTA: 37,000 pieces.					